Distr.
GENERAL

IDB.17/SR.2
7 July 1997

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 23 June 1997, at 4 p.m.

President: Mr. I. POSTA (Hungary)

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V.97 25174 (E) (a:\1997\pmo.5)

Distr.: 11 July 1997

The meeting was called to order at 4.40 p.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that the practice established at previous sessions, namely, to hold informal in-session consultations to facilitate the drafting of decisions and subsequent consensus in the plenary. All members of the Board were urged to participate in the consultations.

2. The Bureau had further recommended that for the current session, the informal consultations should cover items 4 to 20 inclusive.

3. With regard to item 19, the Bureau had recommended that, as on previous occasions, it should itself examine applications from intergovernmental organizations and non-governmental organizations for relationship agreements or consultative status with UNIDO and make recommendations which it would submit to the drafting group in the form of a draft decision.

4. *It was so decided.*

5. **The PRESIDENT** added that any texts of draft decisions should be submitted to the Bureau as soon as possible, before being submitted to the informal consultations. A deadline would be set when circumstances so permitted.

6. The Bureau had also recommended that Mr. A. Halim Mohamed, Vice-President, should chair the consultation meetings.

7. In line with the Board's recommendations on the conduct of business and in order not to prejudge the results of debates in the plenary, draft decisions would not be discussed in the informal consultations until after the debates on the relevant subjects had been concluded in the plenary.

8. The Bureau had also reviewed a request by the staff representative for presentation of the views of the staff and had recommended that such a presentation should be made as early as possible under agenda item 6.

9. *It was so decided.*

10. **The PRESIDENT** said that the Bureau had also agreed that a representative of the International Business Advisory Council (IBAC) should address the Board during its consideration of agenda items 7 to 11 inclusive, and in particular with regard to agenda item 11.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1996 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.17/10, Add.1 and Add.2, IDB.17/2)

IMPLEMENTATION OF UNIDO REFORM (*continued*) (IDB.17/19, IDB.17/24 and Corr.1; IDB.17/CRP.5)

11. **Mr. Seung Kon LEE** (Republic of Korea), referring to agenda item 4, said that the 35 per cent increase in demand for new programmes in 1996 compared with the previous year meant that the number of UNIDO's clients had continued to rise.

12. The development of new procedures and guidelines to simplify administration and give greater autonomy and flexibility to Investment Promotion Service offices was commendable. Further effort should be made to decentralize and delegate authority to the field and to streamline and simplify the entire UNIDO programme and project cycle.

13. The diversification of financial resources was essential and the Secretariat's efforts in that direction had been noted. The strengthening of private sector involvement should help to increase financial resources for UNIDO's activities.

14. With regard to agenda item 5, his delegation had noted the Secretariat's faithful implementation of the Board's request in respect of the Management Information System strategy and policies, the cost accounting system and the training of managers and staff in new principles and processes. The Secretariat should continue its internal reform, keeping pace with the ongoing discussion of UNIDO's future.

15. Reform was not an end in itself, but a dynamic process, and a reformed UNIDO could set an example for the United Nations system as a whole. The continued reform efforts of the Secretariat following the Yaoundé Declaration, and the ongoing discussion on the future of UNIDO should be complementary to one another, since their shared goal was to revitalize UNIDO as a specialized agency of the United Nations mandated to assist the industrialization of developing countries.

16. Securing financial resources, of which the assessed contributions were the core, was essential to UNIDO's future. It was all the more important therefore that Member States should take the necessary action to ensure timely payment.

17. **Mr. SUWANDI** (Indonesia) welcomed the delegation from Kazakstan, whose participation in the work of the Board would add to the strength of the Organization.

18. The Indonesian delegation noted with appreciation the Annual Report of UNIDO for 1996, with its addenda (IDB.17/10, Add.1 and Add.2) and the report on the establishment of an international centre for hydrogen energy technologies in Turkey (IDB.17/2). The Secretariat was to be commended for its efforts to furthering UNIDO's programmes despite budgetary and staff cuts. The reduction in the administrative and operational support costs of technical cooperation delivery on the one hand and the dramatic increase in staff productivity on the other clearly demonstrated the success of the reform process.

19. In its role as a global forum, UNIDO should focus more on upstream activities in order to maximize resources for assisting the developing countries in their industrialization process. It was essential to improve the policy, institutional and normative framework in the developing countries in order to create a climate conducive to industrial development.

20. His delegation expressed its satisfaction at the approval of pioneering projects to develop an industrial development index and a set of related industrial development indicators and welcomed UNIDO's initiative in formulating a self-assessment and quality control system to assist in the appropriate use of science and technology parks, particularly in relation to regional industrial development, and to support their continuous development and improvement. It looked forward to receiving a handbook containing appropriate guidelines. The Organization's invitation to Indonesia to participate in the implementation of pilot activities in the textile dyeing and printing industries was much appreciated.

21. Human resources development was one of the most essential elements in the industrialization process. His delegation consequently welcomed the recommendations by the Symposium on International Cooperation in Human Capital Formation for Industry, recently held in Sweden, on action which might be taken by UNIDO, including the development and implementation of international benchmarking and the dissemination of empirical data on industrial human resource development. Industrial human resource development activities should be translated into business opportunities.

22. The comprehensive report on the implementation of UNIDO reform (IDB.17/19) and the Director-General's determination to continue his reform efforts were welcome, particularly bearing in mind the very difficult circumstances prevailing. In that connection, he noted the development of the Management Information System and information strategy and related policies, and of the new cost accounting system. Managerial effectiveness and accountability and the link between individual and organizational performance were particularly important, as highlighted by the Director-General.

23. The bulletin on programme managers, defining the policies for the implementation of UNIDO programmes and projects was also welcome. It was an integral part of the quality system of UNIDO services and set out the roles and responsibilities of the team leaders and project managers involved in the implementation of technical cooperation projects.

24. The Director-General was to be commended for finalizing the bulletin on programme and project evaluation, including the guidelines covering the entire management process for UNIDO services. It was to be hoped that evaluation would focus on the management project cycle as well as on project quality. Sustainability in terms of project management should be assured and unnecessary bureaucratic controls eliminated.

25. **Mr. BREITER** (Switzerland) said that, in his delegation's view, the Annual Report of UNIDO for 1996 (IDB.17/10) provided a good and informative overview of the activities undertaken by the Organization during the past year. In that period, the reform efforts had led to concrete results for the first time, project volume having increased by 35 per cent to US$ 100.8 million and effective support costs having been reduced to 14.5 per cent. However, substantial dependence on the Montreal Protocol as a main source of funding might in the long term prove problematic if the Protocol were discontinued. Alternative sources of financing thus needed to be found, and his delegation welcomed the idea of raising funds in the private sector.

26. Switzerland hoped that the further, necessary, streamlining would not discourage the Organization from viewing the reform as an ongoing process. However, such efforts could be effective only if all Member States paid their assessed contributions in full and on time.

27. **Mr. JEDDA** (Tunisia) said that his delegation was aware of UNIDO's irreplaceable role in industrial development for the developing countries in general and those of Africa and the LDCs in particular, and was fully committed to the retention of UNIDO as a specialized agency of the United Nations. The Organization should pursue its reform process to adapt to new world-wide economic realities and thus remain viable and effective.

28. The Annual Report in its new form was welcome. The addenda to the report and the comparison of projects approved during the 1995-1996 biennium by source of financing, by region and by project cost demonstrated the Secretariat's progress towards achieving transparency and clarity and the effective evaluation of its activities.

29. The importance of continuing the reform process on a long-term basis to permit adaptation of the Organization's mandate, structure and financial capacity could not be overemphasized.

30. The Secretariat had been urged at the sixteenth session of the Industrial Development Board to improve the balance between resources allocated to substantive programmes and to administrative activities and to continue to implement the UNIDO reform process on the basis of high-quality monitoring and programme evaluation as well as through the establishment of demand- and result-oriented planning and budgeting systems. It was therefore important to ensure that such systems were properly implemented between the current session of the Board and the seventh General Conference in December 1997.

31. His delegation welcomed the development in the Secretariat of a new methodology permitting a comparison of income earned with expenditure incurred in relation with programme resource allocation, and of the analytical accounting system, which should be consolidated during the forthcoming period.

32. With regard to the preparation of a bulletin on financial matters and the implementation of financial strategies, it was important to ensure that all those guidelines were covered by the full report on the reform process and measures yet to be taken, which would be presented to the seventh session of the General Conference.

33. **Mr. BORG** (Observer for Malta) said that industrial development accounted for a substantial part of economic growth in his country, whose manufacturing sector made up some 24 per cent of the total national workforce. The Annual Report of UNIDO for 1996 (IDB.17/10) indicated that, despite staff reductions and shortfalls in assessed contributions, the Organization had succeeded in increasing its services to the benefit of small countries such as his own. Malta continued to believe in UNIDO, whose relevance could not be over-emphasized.

34. With its export-oriented economy, Malta suffered from the negative changes taking place in the global trading regime and his delegation was concerned to note that manufacturing performance in developing countries was being affected by slower world trade, which had an adverse impact on economies such as his own. Malta's major trading partner was the European Union; its industrial sector comprised foreign-owned export-oriented subsidiaries in the manufacturing and services sectors, a limited number of large Maltese-owned companies in the construction and food and beverages sectors, and also some indigenous manufacturing industries. The last category consisted of small- and medium-scale industries, which accounted for almost 94 per cent of all manufacturing enterprises and employed 37 per cent of the manufacturing sector's total workforce. It was therefore encouraging to note that UNIDO had begun to implement a new programme initiative of promoting competitive and innovative small and medium enterprises (SMEs). Malta hoped that, although it was no longer regarded as a recipient under UNDP criteria, it would have the opportunity, as a small island country, of benefiting from that programme of UNIDO and of being included in regional activities and projects. While noting with satisfaction the relevant contribution by the Government of Italy, his delegation believed that Malta could benefit from the UNIDO Support Programme for Innovation and Networking (SPINNet), and looked forward to exploring how cooperation under that project could be pursued.

35. The Maltese Government, through the recently established Institute for the Promotion of Small Enterprises (IPSE), aimed to revitalize the local industrial sector by formulating a strategy for its development, modernization and restructuring, by providing services such as training, business advice and support to existing enterprises and to potential and new entrepreneurs. Under a project recently arranged with UNDP, his Government's efforts at developing the domestic micro and small manufacturing enterprise sector would be supported through assistance in the operation of IPSE. A contribution from UNIDO was also envisaged.

36. In the context of economic and technical cooperation among developing countries (ECDC/TCDC), Malta had recently been designated by UNDP as a pivotal country for human resources development, and it intended during the coming months to enter into consultations with UNDP on concrete details. His delegation noted that UNIDO specifically supported initiatives towards co-sponsoring ECDC/TCDC programmes on a cost-sharing basis, seeking to complement those efforts, *inter alia*, by promoting tripartite cooperation involving developed countries. Malta would be ready to explore such cooperation.

37. Malta noted the efforts made by UNIDO to consolidate its programme for the integration of women in industrial development within the framework of the Organization's thematic priorities. His country attached particular importance to the special role which the female workforce played in industrial development. The newly established Parliamentary Secretariat for Women's Rights would ensure that women's affairs received the highest political backing from the Maltese Government, and many initiatives were being undertaken to give women the necessary encouragement and support to pursue a career outside the home. His delegation hoped that UNIDO would enable Malta to benefit from projects and programmes specific to women, including those relating to entrepreneurship development, the role of

women in manufacturing and in science and technology programmes.

38. His delegation noted with interest the progress achieved in the four areas of UNIDO's function as a global forum for industrial development selected for further exploration. The collection of industrial statistics and the industrial information programme were valuable assets in assessing and mapping future strategies for more efficient capacity-building in the industrial sector; his delegation would continue to support those programmes.

39. UNIDO's programme on international technology centres was an important area of activity for sustainable development. The global centres provided a mechanism for linking new technology promotion with investment opportunities through international collaboration and the development of strategic alliances. His delegation wished to acknowledge with appreciation the support which it received from the International Centre for Science and High Technology (ICS) at Trieste. The related two-week training course held in Malta on geographic information systems and risk assessment for integrated coastal management in the Mediterranean had been a complete success. The newly acquired status of the ICS should enhance its capacity for assisting countries like Malta in areas of vital importance to their development, particularly in the environmental field. The ICS director was to be commended for his efforts to put the Centre on a more solid footing in order to meet the challenges of the future, particularly in strengthening its role of providing participants from small countries with access to state-of-the-art industrial research and development. His delegation hoped that the ICS would continue to assist Malta to strengthen its local capacities and expand its regional role in the Mediterranean.

40. Turning to the regional dimension of UNIDO's activities, Malta had for many years advocated policies whose primary objective was to strengthen stability and cooperation in the Mediterranean region, which continued to be affected by political tensions, social and economic imbalances and environmental degradation. As a European State situated at the centre of the Mediterranean, Malta shared the responsibility for promoting the notion of partnership and cooperation in the region. The convening of the second Euro-Mediterranean Conference in Malta in April 1997 had been highly successful in its search for peace, stability and cooperation in the region. While the Conference should be seen not as an end in itself but as an evolving process, the fact that 27 States came together to forge a Euro-Mediterranean partnership was of far-reaching significance. The role of industry in the region had been the subject of a series of Euro-Mediterranean meetings. UNIDO should monitor developments in that field more closely, and he was certain that the countries forming the partnership would gain from the expertise and technical cooperation that UNIDO could provide.

41. With regard to the plan for subregional offices in connection with UNIDO's field representation activities, Malta's strategic position made it an ideal location for one such subregional office. Bearing in mind the industrial base of its economy, the newly created IPSE and the island's excellent communication links with all countries of the region and beyond, Malta could respond promptly and effectively to the demands for services in the countries covered. His Government was ready to explore that possibility further with UNIDO.

42. **Mr. VIERITA** (Romania) said that the Director-General was to be commended on the presentation of the Annual Report of UNIDO for 1996 (IDB.17/10), which, in addition to providing concise information on the Organization's activities in 1996, contained essential elements that enabled Member States to assess the results of the reform exercise to date.

43. Regarding the Organization's future role and functions, his delegation believed that the ongoing process of reform should concentrate on the terms under which the organizational structure of UNIDO would be reshaped. Any decision of the Board on that question would need to reconcile the reduction of the budget, as proposed in the Draft business plan, with the tasks that UNIDO would be called upon to fulfil in promoting sustainable industrial development.

44. His delegation wished to stress the need for timely payment of assessed contributions as a means of increasing the Organization's financial stability. Romania had recently settled its arrears in full, and was committed to the fulfilment of its future financial obligations.

45. **Mr. DE MARIA Y CAMPOS** (Director-General), commenting on points raised during the discussion, said that it was gratifying to note general agreement that the Annual Report of UNIDO now responded better to the concerns of Member States. An endeavour had been made to present the information in the report and its appendices in the most direct and transparent manner possible. It was hoped to improve the report even further in the future and to provide permanent access to project information on the Internet.

46. The recognition by Member States of the Organization's upstream efforts was most welcome. Of particular importance was the reference by the representative of Indonesia to the valuable work done by UNIDO not only in providing advice on policy matters and industrial strategy issues but also in undertaking preparatory work with a view to establishing an industrial development index. The Organization aimed to establish, by the spring of 1998, an improved method for

benchmarking industrial development, a task for which it was uniquely qualified.

47. Regarding the comment by the Swiss representative concerning excessive dependence on the Montreal Protocol in view of the latter's possible discontinuation, he pointed out that the Montreal Protocol appeared to be assured of substantial additional funding for several years to come. Efforts should be concentrated on exploring the different ways in which Member States could make voluntary contributions for other projects that could permit a broader range of activities in the various industrial sectors. There appeared, for example, to be a high demand for activities relating to institutional capacity-building in many different areas outside the scope of the Montreal Protocol programme. While it was not intended to reduce the volume of project activity under that programme, it should none the less be possible to give greater emphasis to other projects, depending on the concrete support forthcoming from Member States.

The meeting rose at 5.30 p.m.